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SUSTAINABLE DEVELOPMENT AND INTERNATIONAL ECONOMIC COOPERATION: IMPLEMENTATION OF THE PROGRAMME OF ACTION FOR THE LEAST DEVELOPED COUNTRIES FOR THE 1990s

High-level Intergovernmental Meeting on the Mid-term Global Review of the Implementation of the Programme of Action for the Least Developed Countries for the 1990s

Note by the Secretary-General

1. In its resolution 49/98 of 19 December 1994, the General Assembly decided to convene a High-level Intergovernmental Meeting on the Mid-term Global Review of the Implementation of the Programme of Action for the Least Developed Countries for the 1990s to carry out the mid-term global review, consider new measures as necessary and report to the General Assembly on progress made in the implementation of the Programme of Action. It requested the Secretary-General to submit a report to the General Assembly at its fiftieth session on the Meeting and on the implementation of the resolution. The present note has been prepared in implementation of the decision of the Meeting to submit the outcome of the Meeting to the General Assembly for its appropriate consideration and action. A report (A/50/746) is being issued in response to the requests in resolutions 48/171 of 21 December 1993 and 49/98 that the Secretary-General report to the General Assembly on the Meeting and on the implementation of those resolutions.

2. The High-level Intergovernmental Meeting met in New York from 26 September to 6 October 1995. It adopted: (a) an assessment of progress in the implementation of the Programme of Action at the national level, and progress in international support measures; and (b) recommendations covering a number of key areas of concern for least developed countries. It also adopted a Declaration on the Mid-term Global Review of the Programme of Action. These texts are reproduced in the present document, together with the statements made on their adoption.

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MID-TERM GLOBAL REVIEW OF PROGRESS TOWARDS THE IMPLEMENTATION OF THE PROGRAMME OF ACTION FOR THE LEAST DEVELOPED COUNTRIES FOR THE 1990s

Part One

DECLARATION OF THE HIGH-LEVEL INTERGOVERNMENTAL MEETING ON THE MID-TERM GLOBAL REVIEW ON THE PROGRAMME OF ACTION FOR THE LEAST DEVELOPED COUNTRIES FOR THE 1990s

(a) The participants in the High-level Meeting have undertaken an assessment of progress in the implementation of the Programme of Action and agreed on concrete recommendations to ensure that the Programme is more effectively implemented throughout the remaining part of the decade.

(b) They reaffirmed their commitment to work cooperatively towards achieving the prime objective of the Programme of Action which is to arrest the further deterioration in the socio-economic situation of the least developed countries, to reactivate and accelerate growth and development in these countries and, in the process, to set them on the path of economic growth and sustainable development based on shared responsibility and strengthened partnership.

(c) The least developed countries as a group have not been able to meet many of the objectives of the Programme of Action and their overall socio-economic situation has continued to deteriorate. This deeply concerned the participants at the Meeting. At the domestic level, civil strife and recurrent natural disasters in some of the least developed countries and the resulting social economic burdens, macroeconomic imbalances and poor performance of the productive sectors, inter alia the lack of adequate physical and institutional infrastructures, have contributed to this deterioration. Persistent and serious debt and debt-servicing problems, very low levels of exports, and a declining share in world trade and the insufficiency of external finance, have had unfavourable consequences on their growth and development.

(d) However, the least developed countries have continued to implement, under many difficulties, wide-ranging and far-reaching reforms. In some countries these efforts, complemented by a favourable external climate, have shown encouraging results. Many development partners have provided increased support to least developed countries, although the commitment to provide them with a significant and substantial increase in the aggregate level of external support has not happened.

(e) The participants are determined to pursue their efforts to implement the measures and recommendations agreed at the present Meeting. They are confident that the success of these efforts would lead to a reactivation and acceleration of growth and development in the least developed countries, and enable them to participate in and benefit from the processes of globalization and liberalization.

(f) They call upon all Governments, the United Nations system, regional and subregional organizations, and the competent non-governmental organizations, to combine their efforts in implementing the measures and recommendations agreed

upon by the present Meeting so as to ensure the success of the Programme of Action.

(g) They firmly believe that, given political will on the part of the least developed countries, which have the primary responsibility for their development, and the support of the international community, the least developed countries will be able to enter the next century with better prospects for their peoples.

Part Two

ASSESSMENT OF PROGRESS IN THE IMPLEMENTATION OF THE PROGRAMME OF ACTION FOR THE LEAST DEVELOPED COUNTRIES FOR THE 1990s AT THE NATIONAL LEVEL, AND PROGRESS IN INTERNATIONAL SUPPORT MEASURES

INTRODUCTION

1. The Second United Nations Conference on the Least Developed Countries, held in Paris in 1990, adopted the Paris Declaration and the Programme of Action for the Least Developed Countries for the 1990s. The basic principles and aims of the Programme of Action are as valid today as when they were drawn up. The prime objective of the Programme of Action is to arrest the further deterioration in the socio-economic situation of LDCs, to reactivate and accelerate growth and development in these countries and, in the process, to set them on the path of sustained growth and development. The policies and measures in support of these objectives set out in the Programme of Action revolve around the following major areas: establishment of a macroeconomic policy framework conducive to sustained economic growth and long-term development; development and mobilization of human resources; development, expansion and modernization of the productive base; reversing the trend towards environmental degradation; promotion of an integrated policy of rural development aimed at increasing food production, enhancing rural income and enhancing non-agricultural sector activities; and the provision of adequate external support.

2. It was noted with great concern that only one country, i.e. Botswana, has graduated from the group of LDCs since the early 1970s. At the same time the number of LDCs has increased from 41 at the time of the Paris Conference in September 1990 to 48 countries at present, without a proportionate increase in support measures despite national and international efforts.

I. MAIN DEVELOPMENTS DURING THE EARLY 1990s

3. Despite vigorous efforts by LDCs to implement economic reforms as envisaged by the Programme of Action, the LDCs as a group have not been able to meet many of the objectives of the Programme of Action and their overall socio-economic situation has continued to deteriorate. Several factors, both domestic and external, have contributed to the overall socio-economic deterioration in the LDCs. The domestic factors include: civil strife and recurrent natural disasters in some LDCs and the resulting social and economic burdens, political instability, macroeconomic imbalances, manifested in large fiscal and balance-

of-payments deficits, in many cases the unfavourable short-term impact of macroeconomic policy adjustments on specific areas, in particular the most disadvantaged and vulnerable sections of the population, and poor performance of the productive sectors including lack of adequate physical infrastructure. The external factors include: persistent debt and debt-servicing problems; the decline in the share of LDCs in world trade and their continued marginalization; the inadequacy of external finance; and the emergence of new claimants for aid.

4. According to UNCTAD statistics, the real GDP growth rate of the LDCs averaged only 1.7 per cent per annum during the first four years of the 1990s, having declined from the growth rate of 2.3 per cent achieved during the 1980s. Despite the recovery in the world economy, the situation in the LDCs continues to be precarious, although a few of them made limited progress. With population growing at an average annual rate of 2.9 per cent, GDP per capita suffered an annual 1.1 per cent decline, thus threatening to worsen the already precarious income and consumption levels, as well as to widen the savings-investment gap in these countries.

5. While the slow-down in economic growth rates was common to both Asian and African LDCs, the former, which benefited, inter alia, from a relatively favourable regional environment, attained an average per capita output growth of 1.4 per cent in the 1990s, as compared with a 2.1 per cent per annum fall suffered by the latter. There have also been significant inter-country variations in growth performance. Thus, it is encouraging to note that, despite the poor performance for the group as a whole, nearly one quarter of LDCs were able to attain positive per capita income gains in the early 1990s. A strong expansion of agricultural production, internal stability, strong government commitments, a sound political and regulatory framework for development, complemented by significant external support, among other factors, have contributed to raising economic growth rates.

6. The worsening of socio-economic conditions in many LDCs in the 1990s has increasingly been translated into a marked deterioration in human welfare as reflected in reduced caloric intakes, increased mortality and morbidity, the re-emergence and spread of diseases, lower school enrolment, further marginalization of the weakest members of society, and other signals of acute social distress, as further reviewed below in chapter V.

7. Overall, the external environment facing LDCs has remained difficult. As these countries moved into the 1990s, despite an increase in exports of manufactured goods, their share in world exports and imports fell by more than three eighths and one third from the already low levels of 0.7 per cent and 1.0 per cent respectively in 1980. Despite vigorous efforts to diversify the largely commodity-based composition of their exports, the LDCs' economies continued to be vulnerable to vicissitudes and instability in commodity markets. Official development assistance (ODA), on which LDCs depend principally for their external financing, registered a decline over the early 1990s, and the aid outlook remains uncertain. Although a large number of LDCs have adopted national regulatory frameworks conducive to foreign investment, they have not yet attracted significant foreign direct investment (FDI). Despite measures adopted to alleviate their external debt burden, this burden continued to be

unsustainably high for many LDCs and seriously compromises their adjustment and development efforts.

8. Some developing countries are also important development partners of LDCs. They have technical assistance and training programmes from which the latter have benefited. The potential for expanded economic and technical cooperation between LDCs and other developing countries merits further exploration and support by the international community, especially in view of the new opportunities emerging with the dynamic growth experience of a number of those other developing countries. As a means of maximizing the potential for such South-South cooperation, triangular funding arrangements which include the active contribution of developed countries and relevant international organizations can be initiated.

9. Several LDCs have been taking a number of measures to promote trade with neighbouring countries. For example, a number of African LDCs, especially land-locked ones, have sought to establish some form of free trade area or customs union at the subregional level. However, the establishment of such subregional arrangements has encountered a number of obstacles which have limited their effectiveness.

10. In sum, therefore, the requisite progress has not been made in most LDCs during the first half of the 1990s in realizing the overall objective of the Programme of Action, although some progress has been recorded in a number of LDCs as a result of the implementation of appropriate policies. Furthermore, the ongoing processes of economic globalization and liberalization are likely to have profound consequences for the future development of the LDCs. These processes, which offer great opportunities for growth and development, also entail risks of instability and marginalization. LDCs as a whole have made limited progress in overcoming structural constraints, infrastructural insufficiencies, debt overhang, promoting and diversifying the enterprise and export sectors, attracting foreign investment and creating a sufficient technological base. In this context, most of the LDCs will face globalization and liberalization from the situation of a constrained environment.

II. THE POLICY REFORM PROCESS

11. In recent years, most LDCs have embarked on a process of structural adjustment and wide-ranging reforms, often under internationally agreed frameworks for structural and sectoral adjustment. Important areas of policy focus have been towards coping with fiscal and balance-of-payments deficits, improved mobilization and use of domestic resources, through tax reforms, improving the effectiveness of the public sector and providing greater opportunities for the private sector. LDCs have also initiated reforms in critical areas such as population, education, health, food security and trade policy.

12. There are, however, some cases where the pace and scope of these reforms contrast with the limited progress achieved. In particular, despite success in securing short-term macroeconomic stability, certain situations sometimes existed where the reforms appear neither to have helped in lifting structural

constraints facing the economies of LDCs nor to have improved supply capacity and export diversification. Thus, while it was recognized that the reform process sometimes could not guarantee immediate results, it was emphasized that the efforts of LDCs provided a context in which, over the longer term, growth and structural transformation could reinforce each other under more favourable circumstances.

13. The experience of LDCs points towards a number of factors which determined the success or otherwise of reform measures. Prime among them has been government commitment to reforms, the appropriateness of national policy contents, sequencing of reforms and the level of external financial support to underpin reform efforts. Problems inherent in policy design, particularly the neglect of structural conditions and endowment-related considerations, retarded and even reversed the momentum of reforms. Inadequate domestic and external resource mobilization has been a particularly critical constraint for development in the LDCs.

14. The socio-economic difficulties of most LDCs have been further exacerbated by a specific set of environmental problems, such as land degradation and erosion, drought and desertification, which impair prospects for their development. These environmental problems have been aggravated in LDCs by a number of complex and interrelated factors, which include poverty and poverty-linked population pressures and cross-border refugee movements resulting from man-made and natural disasters. A noteworthy development has been that LDCs have demonstrated growing awareness of environmental issues and problems and many have implemented policies, strategies and institutional mechanisms to deal with them. The special situation and needs of the LDCs should be given special priority. International cooperation for sustainable development should be strengthened in order to support and complement the efforts of the LDCs. In particular, new and additional financial resources from all sources, both public and private, that are both adequate and predictable are necessary for environmentally sound development programmes and projects. However, adequate international support is needed to facilitate the transition from emergency relief to rehabilitation and development, and in particular in the context of activities under the International Decade for Natural Disaster Reduction and the promotion of national capacity-building to help prevent and mitigate future emergencies.

15. In many LDCs, it is encouraging to note that far-reaching changes in the system of governance, ranging from free elections to democratic constitutional reforms, have ushered in new possibilities for establishing more participatory and transparent systems of government. Generally, LDCs which achieved a revival of economic growth were those where greater progress has been made in securing popular participation and respect of human rights. In a number of LDCs, the consequences of man-made and other disasters have continued to drain resources, hampering overall long-term development. In some of these LDCs, armed conflict has often resulted in large-scale displacement of population, food emergencies and the unleashing of other destabilizing forces. The developmental task of Governments in meeting the socio-economic challenges posed became highly constrained under these circumstances. Besides destabilization caused by the presence of a large number of refugees, some LDCs have been obliged to provide asylum, with far-reaching implications for the budget, the environment impacts,

other resource needs and related security problems which require urgent concrete international support for those countries hosting the refugees. The LDCS undergoing fundamental political, economic and social transformation, in the process of consolidating peace and democracy require the support of the international community.

III. DEVELOPMENTS IN THE PRODUCTIVE SECTORS

16. During the early 1990s, agriculture in most LDCs has been characterized by lags in production growth relative to that of the population, continued declines in terms of trade and loss of market shares for traditional agricultural commodities. Agricultural production in LDCs fell by 1.1 per cent per annum in per capita terms during the period 1990-1993. Several LDCs responded to the continued poor performance of the sector by introducing reform measures, particularly reforming producer price incentives and marketing systems and the provision of essential agricultural inputs. While the overall thrust of these measures has been the removal of barriers to the private sector in agriculture, they have been unable to provide support services. A particularly disquieting trend in many LDCs is the growing incidence of man-made and recurrent natural disasters such as drought, flood, and devastating cyclones, which are the most important causes of food insecurity in many African LDCs. The situation has been further exacerbated by declines in food output and limited capacity to offset shortfalls through imports.

17. Notwithstanding the wide variations in manufacturing growth rates among LDCs, the performance of the manufacturing sector on the whole has weakened in recent years, manufacturing activities have remained relatively undiversified, and the utilization of capacity and resources has been low. The sector growth rate decelerated to 1.4 per cent per annum during the early 1990s, from 2.1 per cent per annum in the 1980s. While some one third of LDCs maintained a positive growth of manufacturing value added (MVA) in the 1980s and early 1990s, most LDCs experienced stagnation and even declines in manufacturing output. The response of the LDCs to deteriorating manufacturing performance has been through adjustments of macroeconomic policies and instruments, and sectoral measures to augment manufacturing output and efficiency. At the sectoral level, the LDCs have reoriented their incentive structure and introduced changes in institutional policies and regulatory arrangements in order to improve the macroeconomic environment for manufacturing production.

18. The LDCs have made major efforts to improve their transport and transit infrastructure systems during the last decade. The budgetary constraints faced by LDCs have, however, gradually undermined the financial capabilities of Governments to maintain the momentum of these efforts. These constraints are particularly felt in land-locked and island LDCs, where inadequate physical infrastructure poses major obstacles to structural transformation and economic development.

IV. LAND-LOCKED AND ISLAND LEAST DEVELOPED COUNTRIES

19. Sixteen of the 48 least developed countries are also land-locked. The high transport costs which result from their particular geographical handicaps continue to have a significant adverse impact on their international trade performance and overall economic development. In order to alleviate the particular problems which these countries face, the land-locked and transit developing countries, as well as the donor community, adopted a Global Framework for Transport Cooperation (TD/B/LDC/AC.1/6), which contains a comprehensive set of recommendations for concrete action at the national and subregional levels designed to improve the efficiency of transit transport systems. The Framework underscores the need for extensive financial and technical support by the donor community. The donor community recognizes this. Furthermore, the Framework calls upon UNCTAD and the regional economic commissions to play a leading role in promoting the implementation of the agreed actions.

20. Island least developed countries continue to face particular problems resulting from their smallness, insularity and remoteness from the major economic centres. They are vulnerable to a number of adverse factors, including environmental degradation. Poor internal and external transport links to world markets negatively compound their ability to participate effectively in world trade. The Programme of Action for Small Island Developing States (A/CONF.167/9), adopted in Barbados in May 1994, outlines a range of measures that need to be undertaken in order to alleviate the particular problems which these countries face. The Programme calls for increased support by the international community to ensure effective implementation of these measures in conjunction with national measures in support of sustainable development.

V. HUMAN RESOURCES DEVELOPMENT

21. LDCs have adopted and are implementing policies, measures and programmes to tackle key problems in human resources development. However, the expansion of national population programmes within the overall framework of human resources development has been difficult for a number of reasons, such as funding constraints, among others. These programmes have been complemented by strong efforts to change attitudes, including persuasion and campaigns relying on traditional and modern information techniques.

22. Despite major difficulties, there have been some encouraging results achieved by some LDCs, particularly in the areas of health and education. However, in many LDCs, mortality rates continue to be high. The situation is exacerbated by poor sanitation and hygienic conditions and the lack of safe drinking water supplies. AIDS and tropical epidemic and endemic diseases have become a major cause of death in recent years in some LDCs, as these countries have limited resources to deal effectively with such endemics and epidemics. The economic crisis faced by LDCs has further undermined health conditions in many countries as living standards have fallen, health services have been cut owing to budgetary pressures, and the availability of imported medicines and other medical supplies has dwindled. Education services continue to be affected by deteriorating economic conditions, in particular by budgetary constraints. There is need for investment in the development of human capacities,

particularly in programmes of health, nutrition, education and training and population activities.

23. Although women constitute half of human resources in the LDCs, they have continued to be hampered by their marginal position from playing their full role in socio-economic development. Despite measures being taken to enhance their role in development, women in the LDCs still lag behind their male counterparts as well as women from other developing countries in all areas of social and economic development. They face particular problems related to gender discrimination, such as limited access to productive resources, restricted education and training opportunities, poor health status, low representation in strategic decision-making positions, as well as having to bear a high dependency burden: the more so, as deepening poverty is felt more acutely by women-headed households. In addition, prevalent attitudes regarding women's abilities and their proper socio-economic role, and women's own lack of knowledge about their rights, have kept them away from mainstream development. The lack of follow-up of decisions and internationally agreed recommendations aiming at the advancement of the status of women has also been a major cause of the poor prevailing situation.

VI. EXTERNAL TRADE AND THE IMPLICATIONS OF THE FINAL ACT OF THE URUGUAY ROUND

24. The Programme of Action underlined that it is essential that all countries contribute to developing a more open, credible and durable multilateral trading system, recognizing that the results of this process could be a reflection, inter alia, of their respective weight in world trade. It is encouraging to note that the LDCs have contributed to this process by implementing important trade liberalization measures. The Programme of Action also called for important support measures in favour of LDCs in such areas as duty-free treatment of their exports, exemptions from quotas and ceilings and the use of simplified and flexible rules of origin. Progress made in the provision of such support has been important in the case of a number of countries. While a number of LDCs have been able to increase their exports, the overall trade situation of the LDCs has deteriorated, in that their share in global trade has continued to decline. Although globalization and liberalization offer opportunities to LDCs, these processes also pose major challenges, particularly in the form of increased global competition. Despite recent improvements, world commodity markets have remained volatile and depressed. As a result the LDCs have become further marginalized and this trend needs to be reversed.

25. The extremely low export capacity of most LDCs has continued to be one of the major obstacles to growth and a source of the high dependence on ODA for financing the necessary investment, imports and technical support for development. Difficulties have persisted in expanding the external trading opportunities of LDCs, as commodity and market diversification measures have been rendered difficult principally by lack of investment, technology and skills to augment levels of production and efficiency.

26. LDCs have been granted special tariff preferences under various GSP schemes and other preferential arrangements. Following the conclusion of the Uruguay

Round, a number of countries have taken steps to improve their GSP schemes in favour of LDCs. However, some schemes still exclude a number of products of export interest to LDCs (e.g. textiles, clothing, carpets, footwear, leather goods etc.) and have rigid rules of origin. As the ability of many LDCs to utilize such facilities remains constrained, only a part of GSP-covered imports from LDCs has received preferential treatment. Thus the use of GSP schemes, in particular by African LDCs, has remained limited.

27. The adoption of the Final Act of the Uruguay Round will have significant consequences for the trading prospects of LDCs, in particular as regards preferences and the competitiveness of LDC exports. Increased transparency of trade regimes and the reduction of trade barriers, particularly tariff-binding on agricultural products and reduction in tariff escalation, as foreseen in the Marrakesh arrangements, provide LDCs with increased opportunities in the long run. On the other hand, concerns have been expressed that LDCs may suffer erosion of preferential margins in relation to many of their exports to major markets and a possible consequential loss in export market shares and export earnings. In addition, the net food-importing LDCs may face higher import bills, at least in the short run, resulting from the agreement on agriculture. In the long run, the Final Act poses to LDCs the twin challenges of, first, developing and strengthening institutional and human capacities to formulate and manage legislation implementing the complex set of agreements of the Round, and secondly, building capacities for maximizing opportunities arising from these agreements. In this regard, the provisions of the Marrakesh Declaration and the ministerial decisions in favour of LDCs should be fully implemented.

28. A number of developed countries have set up in their own countries import promotion agencies in order to promote more trade with LDCs. Such agencies have played a helpful role in providing support services and in acting as contact points for business/trade missions from LDCs, undertaking market research and giving publicity to LDC products.

29. Trade among the LDCs, on the one hand, and that between LDCs and other developing countries within the same subregional or regional economic groupings, on the other hand, remains insignificant as a share of international trade. Only a few LDCs at present receive preferential treatment for their exports under the Global System of Trade Preferences among Developing Countries (GSTP) on a non-reciprocal basis. Additionally, subregional and regional trade is constrained by a number of obstacles, such as the fact that most countries produce similar export products, that subregional transport infrastructure is geared to trade with developed countries, that progress in tariff reduction is limited due to fiscal revenue implications for preference-giving countries, and that international support remains limited.

VII. EXTERNAL FINANCE

30. It was noted with concern that ODA remains the single most important source of external financing for LDCs. While welcoming improved aid performance by some donors, at the same time it was noted that overall aid performance by donors fell short of the commitments undertaken in the Programme of Action. ODA flows (actual disbursements) from Development Assistance Committee (DAC)

countries, and multilateral agencies mainly financed by them, to the LDCs declined sharply in 1993. In absolute terms, ODA flows fell by $1.5 billion. Almost $1 billion of this was due to a drop in multilateral aid flows to LDCs. In view of the important role of multilateral funding in meeting the financial needs of LDCs and the uncertain resource outlook for some of the major multilateral financial institutions and grant-based programmes, this is a particularly worrying development. The ODA/GNP ratio for DAC donors as a whole declined to 0.08 per cent in 1993 as compared with 0.09 per cent in 1990. Moreover, this shortfall has to be seen against the agreed menu of aid targets and/or commitments as set out in paragraph 23 of the Programme of Action for the LDCs which call for a significant and substantial increase in resources to LDCs and include, inter alia, the targets of 0.15 per cent and 0.20 per cent of donor GNP as ODA.

31. Donors have modified and improved their policies in the area of aid modalities. Most DAC donors have now shifted to a grant basis in their aid programmes for LDCs, resulting in a further increase in the grant element of bilateral ODA (which averaged 97 per cent in 1993). Most multilateral funding to LDCs is also on highly concessional terms. Multilateral funding constitutes an important complement to bilateral ODA for the LDCs and it is crucial that the base of this multilateral funding be sufficiently broadened. International efforts should continue to mobilize resources to LDCs implementing structural adjustment programmes, such as the World Bank-led Special Programme of Assistance (SPA) process, which in some cases have resulted in limited progress.

VIII. EXTERNAL DEBT AND RELIEF MEASURES

32. The external debt and its servicing burden remains a crucial issue for the majority of LDCs. According to Organisation for Economic Cooperation and Development/Development Assistance Committee (OECD/DAC) information, LDC total debt stock amounted to $127 billion in 1993, corresponding to 76 per cent of their combined GDP. It appears that for half of these countries, their external debt is equal to or exceeds their respective GDP. The difficulties many LDCs have in meeting their external obligations, in the context of the critical current economic situation and their poor export performance, is reflected in the relatively low levels of debt service paid in relation to scheduled payments. The share of multilateral debt in total long-term debt, as well as debt service, has increased considerably in recent years. Thus, in 1993 the multilateral debt constituted around 36 per cent of total debt of LDCs as compared with 27 per cent in 1984. The corresponding share in total debt service during this period increased even more, from less than 30 per cent to almost 50 per cent. This increase partly reflects the "lender of last resort function" of the international financial institutions and the fact that an increasing number of bilateral creditors are relinquishing many of their ODA claims to LDCs and have shifted from credit lending to grants. Debt-relief measures taken so far have not yet fully provided an effective and durable solution to the outstanding debt and debt-servicing burden of LDCs, although important relief measures have been taken to reduce their debt stock and debt-service obligations. In particular, following the adoption of the Toronto terms in 1988 (and enhanced Toronto terms in 1991), from which 19 LDCs benefited, the Paris Club in 1994 improved the debt treatment of the poorest countries by

adopting the "Naples terms". These may constitute a step forward for the LDCs but might not be sufficient by themselves to resolve their external debt problem. Eight LDCs have already benefited from these provisions, which notably offer the possibilities to reduce the eligible debt of the poorest and most indebted countries by 50 to 67 per cent.

IX. ARRANGEMENTS FOR IMPLEMENTATION, FOLLOW-UP AND MONITORING OF THE PROGRAMME OF ACTION

A. The national level

33. At the national level, review arrangements, including UNDP-sponsored round tables and the World Bank consultative and aid groups, have been further consolidated during the early 1990s, with additional countries joining or rejoining the process and meetings taking place more frequently and on a more regular basis. A strengthened country review process was considered the principal means of policy dialogue, and for coordinating the aid efforts of development partners with the development programmes of LDCs as well as mobilizing the required resources for their implementation. In all, over 60 full-scale consultative aid groups and round table or similar meetings were organized from the adoption of the Programme of Action until early 1995. While results in terms of resource mobilization have varied between countries, these meetings no doubt have an important role to play in improving aid flows to LDCs and in aid coordination. An important aspect of the country review process in recent years has been the attempt to link these arrangements more closely to national policy-making and programming.

B. The regional level

34. At the regional level, the Programme of Action called for monitoring progress in economic cooperation between LDCs and other developing countries, particularly those in the same region. It also called for organizing cluster meetings to improve and strengthen existing cooperation arrangements at the regional and subregional levels. The United Nations regional commissions have, as part of their ongoing work, continued to follow up and monitor the implementation of the Programme of Action in LDCs in their respective regions. ESCAP has established a Special Body on Least Developed and Land-locked Developing Countries. ECA has continued to consider progress in the implementation of the Programme of Action in African LDCs during the annual meetings of the Commission. However, owing to resource constraints in the United Nations the cluster meeting process has not been initiated.

C. The global level

35. At the global level, UNCTAD has responsibility as the focal point for the monitoring, follow-up and review of the implementation of the Programme of Action. In addition to the regular follow-up, monitoring and review of progress in the implementation of the Programme of Action at the global level by the UNCTAD Trade and Development Board, efforts have also been made to promote the

full mobilization and coordination of all organs, organizations and bodies of the United Nations system for the purpose of the implementation and follow-up of the Programme of Action, but more remains to be done. Individual agencies have continued to develop and implement assistance programmes for the LDCs and pursued their advocacy and policy advisory missions with regard to these countries. There is need for regular reporting of progress made by various agencies.

Part Three

RECOMMENDATIONS

36. The present recommendations are based on the assessment of progress in the implementation of the Programme of Action for the Least Developed Countries for the 1990s presented above, as well as on information contained in The Least Developed Countries 1995 Report, and recommendations made by the expert groups convened by the UNCTAD secretariat as part of the preparations for the High-level Intergovernmental Meeting on the Mid-term Global Review on the Implementation of the Programme of Action for the Least Developed Countries for the 1990s. These recommendations cover a number of key areas of concern for the LDCs.

I. MAJOR CHALLENGES

37. The challenges facing LDCs in the second half of the 1990s are to reverse the decline in economic and social conditions, to promote sustainable economic growth, development and structural transformation and to avoid becoming further marginalized in the international economy. An intensified policy commitment by both LDC Governments and the international community will be required to meet these challenges. In implementing domestic policies, LDCs should endeavour to focus on measures to restore and maintain macroeconomic stability; to promote the growth and diversification of exports; to strengthen an enabling environment for private sector investment and entrepreneurship; to enhance human resources development; to continue to implement population and development programmes with full respect for the various religious and ethical values and cultural background of each country's people; to adhere to basic human rights recognized by the international community which strike an optimal balance in the interrelationship between their population, their natural resource base and the environment, taking into account economic imperatives; to strengthen the infrastructure; to promote good governance as mentioned in the Programme of Action; to broaden popular participation in the development process; and to ensure the full utilization of human resources along with democratization, promotion of good governance, observance of the rule of law and peaceful resolution of any civil conflicts where such conditions exist. The broad outlines of a domestic economic policy framework conducive to meeting the challenges facing the LDCs are delineated below.

II. THE ECONOMIC POLICY FRAMEWORK

38. (a) Macroeconomic stability would require rationalization and sound management of public expenditure, properly planned monetary growth and maintenance of appropriate exchange rates commensurate with ensuring a sustainable external balance;

(b) Policies to increase export earnings, including appropriate exchange rate and trade policy reforms to reverse the decline in the share of world trade of the LDCs, diversify the composition of their export structure and to facilitate their ability to exploit opportunities arising from the Final Act of the Uruguay Round, are essential;

(c) This will entail strengthening of existing policies and measures for the promotion and support of the private sector complemented with public investment, including policy-based incentives or the adoption of new policies and measures where necessary;

(d) The potential for economic and technical cooperation between LDCs and other developing countries merits further exploration. The international community should help LDCs promote trade links and should take appropriate measures to support such trade links, particularly subregional and regional trade. Such trade could be promoted by identifying complementarities in production structures among countries, strengthening the institutional and human capacities for the operation of subregional trading arrangements, establishing subregional trade information networks, and associating the private sector more closely with the integration process. There are potential gains for the LDCs in participating in the Global System of Trade Preferences among Developing Countries (GSTP). LDCs should be encouraged to accede to GSTP and be provided with appropriate technical assistance to enable them to benefit fully from the system. Least developed countries should strengthen subregional, regional and interregional cooperation in order to benefit from economies of scale and to attract foreign direct investment more easily from developed and other developing countries. More attention should be given to promoting triangular cooperation and technical cooperation among developing countries (TCDC) as well as South-South joint ventures and economic cooperation among developing countries (ECDC) investment in these countries;

(e) The growth of a dynamic private enterprise sector requires an appropriate economic, fiscal and legal framework. Essential features of this framework are stable and predictable policies, tax, monetary and trade policies which ensure adequate incentives for investment, and a legal system which protects property rights and commercial contracts. These features are also needed to tap into international capital flows in the form of direct and portfolio investments;

(f) Enhancing human resources development is imperative if LDCs are to raise productivity, output and living standards. With the support of the international community, LDC Governments should intensify their efforts to raise education and training standards, promote life-long learning, improve the health status of their populations, and strengthen the status of women, by implementing appropriate policies in accordance with the provisions of the International

Conference on Population and Development and the Fourth World Conference on Women;

(g) To enable women in LDCs to play their full role in development, efforts should focus on legislative and administrative reforms to give women full and equal access to economic resources, including the right to inheritance and to ownership of land and other property, credit, natural resources and appropriate technologies, and to involve women directly in planning, decision-making, implementation and development of macroeconomic and social policies, programmes and projects. Special initiatives and innovative schemes which can give women increased access to credit, training, information on marketing channels, as well as other support services, to alleviate the burden of their role as mothers and housewives, should be adopted;

(h) The economic policy strategies adopted by the LDCs should be consistent with the need to eradicate the chronic levels of poverty afflicting these countries, in particular by promoting the development of the private sector and entrepreneurship, by ensuring that all people have access to productive resources, and benefit from a policy and regulatory environment that enhances their overall capacities and empowers them to benefit from expanding employment and economic opportunities;

(i) LDC Governments are attempting to implement comprehensive structural adjustment reforms in very difficult circumstances, often in the face of severe administrative and financial constraints. Many of the constraints that they face are structural, deep-seated and not amenable to short-term solutions. Consequently, successful structural adjustment reforms require a government commitment to reform, and a medium-term to long-term perspective for implementation;

(j) In order to ensure that structural adjustment programmes include social development goals, in particular the eradication of poverty, the generation of productive employment and the enhancement of social integration, LDC Governments, in cooperation with the international financial institutions and other international organizations, should:

(i) Protect basic social programmes and expenditure, in particular those affecting the poor and vulnerable segments of society, from budget reductions;

(ii) Review the impact of structural adjustment programmes on social development by means of gender-sensitive social-impact assessments and other relevant methods, and develop policies to reduce their negative effects and improve their positive impact;

(iii) Further promote policies enabling small enterprises, cooperatives and other forms of micro-enterprises to develop their capacities for income generation and employment creation;

(k) Agreeing on a mutual commitment between interested developed and developing country partners to allocate, on average, 20 per cent of ODA and 20 per cent of the national budget, respectively, to basic social programmes,

and in this context, the proposal of the Government of Norway to host a meeting in 1996 among interested countries and representatives of relevant international institutions, with a view to considering how the 20/20 initiative can be applied operationally, is welcomed;

(l) Commitment of the LDCs and the assistance of the international community are essential components for the success of structural adjustment programmes. Without such support, the long-term objectives and the sustainability of the programmes will be jeopardized. In this regard, therefore, renewed commitments by the international community as defined by the Paris Programme of Action and other relevant instruments to support the efforts of the LDCs with adequate resources is vital.

III. EXTERNAL TRADE AND INVESTMENT

39. The extremely low export capacity of LDCs, their very low level of export receipts, and the fluctuation and the resulting sharp limitation on their capacity to import, are the major structural constraints to developing LDC trade. This situation is more acute in the case of land-locked and island least developed countries, as their external trade is further impeded by high transportation costs.

40. Action by the international community, including increased technical assistance as foreseen in the Marrakesh Ministerial Decision on Measures in Favour of LDCs, complemented by adequate financial support, can help LDC efforts to increase export earnings through increased production in both the traditional and the modern sectors of the economy, through diversification of the commodity structure and export markets, and thereby help to obtain better prices for their export commodities. It can also help LDCs to mitigate any adverse effects of the implementation of the Uruguay Round agreements and to integrate themselves better into the international trading system. The interest of LDCs regarding the idea of considering the setting up of a "safety net" to help them cope with any such effects in the immediate and short term was noted. The Final Act of the Uruguay Round of multilateral trade negotiations, including the special clauses providing differential and more favourable treatment, and the decision on measures in favour of least developed countries, provide the institutional framework for these matters.

A

41. All provisions of the Final Act of the Uruguay Round should be effectively applied. In this regard, concrete action, as appropriate, should be taken, consistent with the Final Act, to fully and expeditiously implement the Marrakesh Declaration as it relates to LDCs, and the Ministerial Decision on Measures in Favour of LDCs, and to give effect to the Ministerial Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least Developed and Net Food-importing Countries, with a view to enhancing LDC participation in the multilateral trading system, taking into account the impact of trade liberalization, and the relatively weak capacities of LDCs to participate in an increasingly competitive global market in goods and services.

42. Consideration shall be given to further improving GSP schemes and other schemes for products of particular export interest to LDCs, e.g. agricultural products, fish and fish products, leather and footwear, and textiles and clothing, through, where possible, the widening of product coverage; the reduction of procedural complexities, and the avoidance of frequent changes in the schemes. Consideration should also be given to a significant reduction in tariff escalation.

43. The rules set out in the various agreements and instruments and the transitional provisions of the Uruguay Round, including those relating to anti-dumping, countervailing duties, safeguards, and rules of origin, should be applied in a flexible and supportive manner for the least developed countries.

44. As for textiles and clothing, consideration should be given, to the extent possible, to permitting meaningful increases in the possibilities of access for exports from LDCs.

45. In the area of services, efforts should be directed at building and strengthening the efficiency and competitiveness of the weak domestic service sectors of the LDCs. Their participation in trade in services could be enhanced by effective application of article IV of the General Agreement on Trade in Services (GATS) with special priority given to LDCs. Furthermore, ways should be explored to facilitate LDC access to information technology and networks and distribution channels, and to give easy access to information to LDC service suppliers through contact points to be established, in accordance with GATS. It was noted that the movement of labour for the provision of services to other countries is an area of interest to LDCs.

46. Care should be taken so that domestic laws and regulations of importing countries in areas such as labour and the environment do not constrain the export opportunities of LDCs in a manner inconsistent with the Final Act of the Uruguay Round.

47. The home countries of foreign investment are urged to encourage investment in LDCs by taking appropriate supportive action.

48. South-South cooperation at the subregional and regional levels should be promoted to enhance regional and subregional trade by providing market access for LDCs by neighbouring countries. Appropriate measures should be taken to promote, support and strengthen trade initiatives of LDCs in subregional and regional groupings. Efforts of the LDCs to diversify their exports need to be supported so that their trading prospects become more viable. Such cooperation can be critical in complementing actions by LDCs and their development partners to attract foreign investment to LDCs. Measures should be taken to grant preferential access to the exports of LDCs on a non-reciprocal basis by developing countries under the GSTP, and also to augment resources, where appropriate, for promoting ECDC and TCDC through multilateral and bilateral institutions. Developing countries should, inter alia, introduce preferential schemes for LDCs under the GSTP.

B

49. Technical assistance should be refocused and wherever necessary intensified to help LDCs adapt to and take advantage of the new trading environment created by the conclusion of the Uruguay Round. Common efforts of donors, international organizations as well as the LDCs themselves are needed in the implementation of the commitments undertaken and for maximizing the opportunities arising from the Uruguay Round agreements. Main areas of technical assistance in this regard should include:

(a) Enhancing institutional and human capacities to comply with the new obligations arising from membership of the World Trade Organization (WTO) or to assist LDCs to accede to WTO, as well as to formulate and implement future trade policy;

(b) Developing and strengthening supply capabilities in relation to tradeable goods and services, and the competitiveness of enterprises;

(c) Improving the microeconomic trading environment and expanding the use of new communications technologies in the service of trade through the UNCTAD Trade Efficiency Programme;

(d) Enhancing the capability to make full use of GSP schemes;

(e) Supporting commodity diversification and marketing efforts;

(f) Expanding the trading and investment opportunities of LDCs, in particular, by identifying new trading opportunities which could be carried out, inter alia, through import promotion agencies by developed and other countries, developing an environment conducive to attracting foreign investment, and through advice and technical support.

50. With a view to achieving these aims, it is essential to eliminate duplication and strengthen cooperation between relevant international organizations, in particular UNCTAD, WTO and the International Trade Centre UNCTAD/GATT, in order to conserve scarce resources and make full use of the existing and potential synergies among these organizations. Among the measures that should be considered is the establishment of a technical assistance fund administered by WTO in order to help LDCs participate actively in WTO.

IV. EXTERNAL FINANCE

51. The overwhelming dependence of LDCs on ODA is likely to continue during the rest of the present decade and beyond. The basic policy issues that the international community faces in this respect in the current climate of budgetary stringency and ODA scarcity, are: (a) how to improve aid allocations to the LDCs; and (b) how to enhance the quality and effectiveness of assistance to these countries. Donors need to expeditiously implement the agreed menu of aid targets and/or commitments as set out in paragraph 23 of the Programme of Action and fulfil their commitments to provide a significant and substantial increase in the aggregate level of external support to LDCs, keeping in mind the

increased needs of these countries, as well as the requirements of the new countries included in the list of LDCs following the Paris Conference. The various provisions of the relevant resolutions adopted in the General Assembly in recent years, as well as the various relevant provisions adopted by recent major United Nations conferences, in particular the World Summit for Social Development, should also be taken into account, as adopted.

52. In view of the enhanced assistance capacities of a number of developing countries over the last few years, they should be invited to join the traditional donor countries in providing assistance to the LDCs.

53. The following measures and actions by donors can be highlighted:

(a) Specific measures to incorporate the agreed menu of aid targets and/or commitments as set out in paragraph 23 of the Programme of Action more explicitly into the national aid strategies and budgetary planning mechanisms of donors;

(b) Ensure adequate funding of the multilateral institutions and programmes which are major sources of financing for LDCs. Particular attention will have to be paid to replenishment of the International Development Association (IDA) and the soft-term windows of the regional development banks, and other grant-based multilateral programmes. The relevant multilateral financial institutions are also invited to explore the possibility of tapping new sources of funds to help support LDC development efforts;

(c) Support United Nations development efforts by substantially increasing the resources for operational activities on a predictable, continuous and assured basis commensurate with the increasing needs of developing countries as stated in General Assembly resolutions 47/199 and 48/162, while giving particular consideration to the special needs of LDCs as underlined in the programmes of action of major United Nations conferences organized since 1990;

(d) Continue to give high priority to LDCs in the operational activities of all parts of the United Nations system for development, bearing in mind UNDP Executive Board decision 95/23, in which it is stated that 60 per cent of UNDP programme resources in its future programming arrangement should be allocated to LDCs;

(e) Continue to provide financial support to adjustment programmes in LDCs on a timely basis and on terms adapted to the special needs and circumstances of LDCs, adequate external financing for the development and diversification of the productive sector, as well as additional support for poverty eradication, environmental conservation and social programmes;

(f) An increased level of technical assistance should be provided to LDCs and priority should be given to skill transfer, with a view to developing national capacity;

(g) Ensure the maintenance of mutual transparency and accountability in the management of aid resources by the aid officials of donor countries/ organizations and managers in recipient countries, as well as ensure the active

support of the donor countries/organizations towards the promotion of ownership of development programmes by the recipient countries;

(h) The international community should support the measures being taken in the LDCs towards the eradication of poverty. Increased resources should be made available from all possible sources, public and private, in this regard.

V. EXTERNAL DEBT

54. Many LDCs face serious debt problems and more than half are considered debt-distressed. The serious debt problem of the LDCs necessitate strengthened efforts on the international debt strategy. This strategy should include concrete measures to alleviate the debt burden and increased concessional financing, in support of appropriate economic policy measures, which will be critical to the revitalization of growth and development. Debt-distressed LDCs should benefit from substantial debt-relief schemes.

A. Official bilateral debt

55. (a) All donors that have not already done so are urged to implement Trade and Development Board resolution 165 (S-IX) by cancelling or providing equivalent relief for ODA debt as a matter of priority in such a way that the net flows of ODA are improved for the recipient. Those creditors still holding such claims, including non-OECD creditors, are urged to take similar measures;

(b) Adopt measures to substantially reduce the bilateral debt of the LDCs, in particular the countries of Africa, as soon as possible;

(c) Paris Club creditors are invited to continue to implement expeditiously and in a flexible manner the very concessional treatment under the Naples terms;

(d) Other non-Paris Club creditors are also invited to take similar measures in order to alleviate the debt burden of debt-distressed LDCs, including by setting up special debt-reduction programmes and debt-relief mechanisms.

B. Multilateral debt

56. In order to address the multilateral debt problems of LDCs, the Bretton Woods institutions are encouraged to develop a comprehensive approach to assist countries with multilateral debt problems, through the flexible implementation of existing instruments and new mechanisms where necessary. In this respect the Bretton Woods institutions are encouraged to expedite the ongoing consideration of ways to address the issue of multilateral debt. Other international financial institutions are invited to consider, within the scope of their mandates, appropriate efforts with a view to assisting LDCs with multilateral debt problems.

C. Commercial debt

57. (a) Invites creditor countries, private banks and multilateral financial institutions, within their prerogatives, to consider continuing the initiatives and efforts to address the commercial debt problems of the LDCs;

(b) Mobilize the resources of the Debt Reduction Facility of the International Development Association in order to help eligible least developed countries to reduce their commercial debt, considering alternative mechanisms to complement that Facility.

58. In accordance with the Declaration of the World Summit for Social Development, techniques of debt conversion applied to social development programmes and projects should be developed and implemented.

VI. ARRANGEMENTS FOR IMPLEMENTATION, FOLLOW-UP AND MONITORING

59. It is important that UNCTAD, which is the focal point at the global level for the monitoring, follow-up and review of the implementation of the Programme of Action, has sufficient capacity and resources to follow up the outcome of the mid-term global review. In this regard, it is recalled that the General Assembly, in resolution 49/98, invited the Secretary-General to make recommendations to the General Assembly at its fiftieth session with a view to ensuring that the UNCTAD secretariat has sufficient capacity to undertake an effective follow-up of the outcome of the mid-term review as well as the follow-up of the conclusions and recommendations relating to LDCs adopted by major global conferences, as appropriate.

Part Four

STATEMENTS MADE ON THE ADOPTION OF THE MID-TERM REVIEW

1. The representative of the United States of America said that at the Conferences held at Rio de Janeiro, Vienna, Cairo, Copenhagen and Beijing, Member States had been developing a blueprint for economic, social and environmental action that recognized the important linkages among the various issues considered. Her country had been an active player in those conferences and was committed to being an active initiator of programmes and activities to fulfil the commitments made. Her delegation had come to the Meeting prepared to affirm the commitment by all to promote the full incorporation into the world economy of the least developed countries. Unfortunately, fulfilling that commitment became impossible when countries were constantly forced to redefine their commitments before the ink had dried on the most recent agreements. Both the initial document and the process by which countries were asked to redefine commitments recently made called into question the validity of those international conferences and summits.

2. With those concerns in mind, her delegation must make a number of reservations. The United States considered the Uruguay Round to be a historic achievement which had generated and would continue to generate global economic

growth and lead to more trade, investment, employment and sustainable development in all countries, including the least developed. It was carrying out its obligations under the Uruguay Round agreements, and expected others to do the same. With that in mind, the United States entered a reservation on the recommendation in paragraph 41, as it carried the clear implication that the United States was not implementing its commitments regarding the least developed countries. Moreover, the United States felt that the UNCTAD analysis of the Uruguay Round was both incomplete and inadequate. United Nations secretariats that did not provide value added to the work of the membership should be examined for their usefulness. Furthermore, the paragraph could be seen as an elaboration or expansion of Uruguay Round commitments, which her country could not support. The Uruguay Round decisions, including those relating to least developed countries, stood on their own with no need of elaboration or expansion. The only forum in which the United States could consider discussing those issues would be the World Trade Organization.

3. The United States must also enter a reservation on the recommendations in paragraphs 42 and 44. It attached the utmost importance to GSP, and considered it to be a key element in its commitment to assist least developed countries in fulfilling their responsibility to formulate and effectively implement appropriate policies and priorities that would lead to sustained growth. Similarly, implementation of the WTO agreement on textiles and clothing had created a process which would expand access to her country's vast markets. That would largely benefit developing countries, including least developed countries. Making the decision to open that sensitive domestic sector to increased competition had been a difficult one. However, the decision highlighted the firm conviction of the United States that a more open trading system was a benefit to all, including least developed countries. The paragraphs in question called for consideration of increasing access further to her country's textile and clothing markets for the least developed countries, beyond what had been agreed in the Uruguay Round, as well as for widening product coverage of GSP to include agricultural products, fish and fish products, leather and footwear and textiles and clothing, modifying the way the United States implemented its GSP programme, and also called for a significant reduction in tariff escalation. The United States could not agree to those paragraphs because it could not undertake a commitment to extend further liberalization to the products in question beyond what had been agreed in the Uruguay Round, or to alter the way its GSP programme was conducted.

4. The representative of the Philippines, speaking on behalf of the Group of 77 and China, expressed satisfaction that the High-level Intergovernmental Meeting had come to a very fruitful conclusion. The text adopted represented a candid statement of the performance of the international community in carrying out the Paris Programme of Action for the ~~Least~~ Developed Countries. It had been well known to all that the Paris Programme of Action for the Least Developed Countries remained not only valid today, but just as valid as it had been in 1990.

5. The text of the Mid-term Review just adopted had enriched the Paris Programme of Action. It only remained for the international community, and particularly the donor community and the various international organizations, to ensure that the Programme of Action for the Least Developed Countries, and the

reflections made in the text of the Mid-term Review would find complete expression in fulfilling the targets and commitments embodied in that text. Equally, it was necessary to have an appropriate monitoring and follow-up mechanism, if only to refresh the mind on where matters stood in implementing the Programme of Action and the agreements adopted today. The decision to make reference to General Assembly resolution 49/98, and for UNCTAD to have sufficient capacity to undertake effective follow-up of the outcome of the Mid-term Review was sowing a seed for the immediate future that should make it possible to craft appropriate language concerning an effective mechanism.

6. The representative of Spain, speaking on behalf of the European Union, commended the fact that the Meeting had been able to reach a conclusion of the negotiations with a consensus from all delegations.

7. The representative of Cape Verde, speaking also on behalf of small island least developed countries, said that the fruitful conclusions achieved by the Meeting would not have been possible without the good working relationship that had been present among delegations. On behalf of small island least developed countries, he expressed thanks to the developed countries for the political commitment and willingness they had demonstrated during the Meeting.